



Child Care Microenterprise – Resources for Programs
National Conference Call on
Microenterprise, Micro-Loans,
and Individual Development Accounts
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Call Speakers:

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S. Rudisill

Hello, everyone. This is Shannon Rudisill. I direct technical assistance here at the Child Care Bureau at the Administration for Children and Families at the U.S. Department of Health and Human Services. I want to thank you so much for joining us for this conference call about microenterprise projects, which has been a growing trend in community development and social services, and how we can better link those efforts with child care.

I want to give a little context before we get started on the call because our original intent behind the call was to have this call for federal staff that work on the child care program and then some federally-funded technical assistance partners. We realize that the notice actually went out much broader to many people, which we completely welcome because part of our goal was to raise awareness of this project and we just actually hadn't been ambitious enough to think that we could send it out to so many people on such short notice.

But what that means is not everyone has the PowerPoint presentation that Rachel has prepared, because we sent that around to folks who were on our original mailing list and we actually have no way of knowing who else might have received the notice, so we didn't set up a registration-type of situation because we weren't expecting it. So we really hope everyone will stick with us and Rachel is going to try to give the presentation in such a way that you don't need to be looking at it. She's going to give you her contact information so that you can get the presentation afterwards. We think this is a really exciting topic.

A few words about Rachel and the project she has been working on. Rachel Banov is a part of the Emerging Leaders Program at HHS, which is a program that recruits promising

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people into the government. Rachel is a Georgetown University graduate; she graduated from the Georgetown Public Policy Institute with a Masters Degree in Public Policy. She has also worked extensively in community development, and specifically asset building and microenterprise. She worked with the Administration for Children and Families Office of Community Services on the Assets for Independence program, which is a program that works on individual development accounts, which you'll hear more about. She has also worked at the National League of Cities and at the United Way in Detroit, Michigan.

Rachel actually approached us informally about this project because she was seeing some real links between the kind of work that she was doing with microenterprise programs and individual development accounts and ways those could benefit child care providers, either as individuals or as small business owners. She has only been with us for three months, but she has done an incredible amount of work researching microenterprise programs that have actually done extensive work targeting child care providers as the audience, compiling various tip sheets and other resources that will all be available soon on the National Child Care Information Center website [<http://nccic.org/user/providers.html>], and we'll give you all this information on how you would get these things.

But she's sort of ending her project, so now our goal was to try and infuse the knowledge that she's developed as best we can through our system. One way we can do that is by sharing it with our federally funded technical assistance providers and our regional office staff. Of course, the ultimate goal is to reach R&R agencies [Child Care Resource & Referral Agencies], state and local agencies, and individual providers around the country. So we think we probably have a mix of all of those folks today and over the next few months the Child Care Bureau will be strategizing about how we raise public awareness or at least awareness within our child care community and within the microenterprise community about these linkages.

So with that I'm going to turn it over to Rachel. I just think you'll find that the things she has to say about how we can link these programs is very exciting. Rachel.

R. Banov

Thank you, Shannon. We'll take questions at a couple of different points throughout the call, just to be sure that everybody is on the same page, and then we'll have a broader



question and answer session at the end of the call. Other than that, please feel free to get in touch with me after the call if you have any other questions.

So for those of you who have the PowerPoint we're going to start, obviously with the call agenda. As Shannon said, we want to go over the project that I've been working on, and I'm going to talk to you today about three different small business and asset-building tools. The first one is microenterprise development, the second are micro-loans, and the third are individual development accounts, and I'll go into detail on all of these. Then, I'll talk more broadly about the project resources I've been working on – the tip sheets and the program directory. Then, I'll discuss the next steps after this project, both for the Bureau and what you can take away to work on at home. And, then like I said, we'll conclude with the question and answer session.

So just starting with the project goals real quick, were to raise awareness in the child care community and to provide resources to both child care providers directly, as well as program administrators who work on programs that work with child care providers, such as child care organizations or microenterprise organizations, state organizations, local governments, etc.

We just wanted to get the word out about small business and asset-building resources that we think are a great fit for child care providers so they can start or improve their own businesses. We're mainly talking about home-based child care, but this could really apply to center-based child care as well. While these are tools intended for such small businesses that centers probably are higher income or require too much capital and thus not eligible for some of these, they may apply as well, depending. Then, the individual development accounts are also applicable to people's personal finances so that they could pursue not only business, but housing or education for themselves, regardless of the type of child care business in which they are involved or own.

We also just wanted to note that since the recent hurricanes have affected so many business owners, we thought this would be a good tie-in to providers in those regions who might have been affected by this and are either trying to re-start up their business or start a new career altogether, or perhaps they had a successful business before but now are having more financial difficulties and need that kind of business assistance and financial help they might not have needed earlier, so we're hoping these resources can be of use to them as well.



I wanted to also give some context for how I think this can help not only the providers, but the community. Some of these outcomes for providers I have listed on my slides are to gain business and financial literacy skills, to save money and leverage their earned income, to access more money, to access funding opportunities in general, to improve their business practices, to improve business physical infrastructure of their child care, to provide better quality child care from the lessons they learned, and to increase their economic stability and self-sufficiency.

I have either thought of these outcomes on my own, as well as drawn them from the evaluations I have been seeing from the child care microenterprise programs around the country, so people are looking at these programs, they are evaluating them, and these are some of the outcomes they are seeing and expecting from their programs. Another one is to increase the self-esteem – providers really start viewing themselves as a business owner rather than a babysitter, so that has been a positive outcome as well.

Then, in terms of community outcomes, these tools are also able to increase the supply of child care and the quality of child care in various communities by improving the child care providers' skills themselves. It's also increasing the low-income families' economic stability and access to affordable quality child care. There are a lot of these child cares that are getting the subsidy to enable low-income families to access their child care. It's decreasing the turnover rate for providers by increasing retention and positive sense of their jobs, and it's creating new jobs and generating new economic activity, which increases the public tax revenues in a community.

Now I'm going to go into more detail about each of these three tools I have been talking about: as I said, microenterprise development, micro-loans, and individual development accounts, which are also referred to as IDAs as its abbreviation. These tools are offered by various organizations, social service organizations, and governments around the country. I have listed some of the host organization examples on slide nine, such as community action agencies; community development corporations; community development financial institutions; credit unions, in particular low-income credit unions; different loan funds; local, state, or tribal government agencies; small business development centers that are funded by the U.S. Small Business Administration; social service agencies, either small non-profits or generally United Ways and YMCAs have been very involved with a lot of these



programs; and women's business centers, which are often also funded by the U.S. Small Business Administration.

I just wanted to add that the reason why a lot of these organizations are getting into this work is because they are already providing so many services and programs similar to this nature, so this is a good natural complement to those services to add on one of these programs. For example, if they're already doing job training or home ownership training, then adding an individual development account program, which I'll get into more later, helps tie in those services. So, it's just a natural complement to add one more assistance tool they can provide to their clients.

Some examples are: city governments have been involved. The City of Newton has a family day care grant program; San Antonio, Los Angeles, and Tucson all have IDA programs. Several counties have IDA programs, tribal groups and state government, such as Connecticut, Indiana, Pennsylvania and North Carolina all started IDA programs, just to name a few.

What these organizations are doing – I'm going on to slide ten – is these various organization roles include referring and conducting outreach to child care providers so that they can access these three tools if they don't already provide them in-house. Child care organizations and microenterprise organizations are collaborating at the local level to provide all of their services to each others' clients. And, then like I said, a lot of organizations have established their own microenterprise, micro-loan, or IDA program in-house in order to provide access to these tools and support services themselves.

So the first tool is microenterprise development, which is an income-generating strategy to help poor and low-income or moderate-income people. Technically, the general definition varies, but it's pretty much a business with five or fewer employees, and it's small enough to require initial capital of \$35,000 or less. Most of these microenterprises just have one owner and that's their main employment opportunity. Microenterprise can be any type of business, including child care, as well as repair services, cleaning, specialty foods, jewelry, arts and crafts, clothing, computers, etc.

There are an estimated 10 million microentrepreneurs in the United States today – individuals from all walks of life, so this is clearly something that is already going on and



very common, it's just a matter of connecting this to the child care providers to have them realize that they are among this group of microentrepreneurs.

These microenterprise programs that I've been talking about are operated by a wide variety of organizations; they are either stand-alone microenterprise organizations whose primary purpose is just microenterprise, or they are multi-service organizations that focus on broader strategies, like those host examples I talked about earlier.

The type of assistance, when I say microenterprise development, is really assistance programs provide around the microenterprise issues. So training classes, workshops, and one-on-one consulting are all different forms of microenterprise assistance, and I've listed some topics on slide 14 that some people I have found around the country are providing as far as this one-on-one consulting or workshops, such as creating a business plan for your child care business, feasibility studies, marketing, recruiting, pricing issues, financial skills, business insurance, computer training, and legal issues, and those are just some of the different topics of workshops and trainings I've seen, in addition to peer support groups, mentoring opportunities, and networking, that microenterprise programs are connecting their clients to.

On slide 15, I have a sample microenterprise program that I wanted to feature here. The Southern Good Faith Fund [<http://www.goodfaithfund.org>] in Pine Bluff, Arkansas, has an IDA program. They are an Assets for Independence federal grantee. They are also a Small Business Administration Women's Business Development Center and they partner with their own state department of Human Services.

They are really doing excellent work in this area of microenterprise and asset building. They have numerous programs to help their clients. They do on-site technical assistance for child care providers at subsidized rates in the topics of record-keeping, financial management, and marketing. They have also developed their very own curriculum – a seven-week class and those seven weeks feature licensing, nutrition, marketing, financials, loans, grants, individual development accounts and legal issues. They also have general business and economic skills classes featured through their business center. They help with getting quality approval through the state of Arkansas.

Like I said, they have an IDA program in-house, so they just refer their clients down the hall to the IDA program. They have just recently started a newsletter specifically for child



care business owners, it's called *Small Talk*. And they refer clients to other organizations that do micro-loans because at this time they are not providing those.

My next example on slide 16 is of a curriculum. It's called "Developing Your Family Child Care Business" and the Ewing Marion Kauffman Foundation and the First Step Fund have put it together. This curriculum was launched as a pilot program and given to about 50 organizations at no cost in the past couple of years. After it was launched as a pilot program, they did an evaluation and made modifications to the curriculum accordingly and now have this revised manual out. It combines industry-specific information about child care with the business information, so it's all in one combined curriculum and it's an eight-module/39-hour course. It's designed for programs that provide this kind of training to child care providers around the country.

It comes with a facilitator manual and participant manual, so while it could be used by child care providers on their own, it's more intended to be a resource to be facilitated to providers and it's for those who are already child care operators or those considering start-up. As part of the course, as they go through the modules, they work on a business plan and create a parent handbook. There is information about this on the web [www.fasttrac.org/pages/program_childcare.cfm] and about becoming a local facilitator of the curriculum [www.fasttrac.org/pages/provider_overview.cfm]. The First Step Fund does train organizations to be facilitators.

They are located in Kansas, but I believe they are starting to do some more national outreach, particularly through the Association of Enterprise Opportunity to start reaching out at conferences and doing additional training and broaden this curriculum to more of a national scale. So this is pretty much the premier curriculum – not that I'm promoting any curriculum – but it is pretty much the premier in the field. I haven't found many out there that are being marketed as a child care business curriculum. One other organization in North Carolina, Self Help [www.self-help.org] has created a CD-Rom that does both child care and business also; however, it's more North Carolina-specific and they haven't done broader marketing yet.

On slide 17, I go over the specific modules that are included in the curriculum: Introduction to Developing Your Family Child Care Business and What is an Entrepreneur?; Networking; Personal Development; Starting the Business Plan; Service and Products;



Marketing Your Service; Pricing and Promotion; Financials; the Parent Handbook I discussed; and the Finale.

And as I said, they've done an evaluation from their pilot program, and going back to those provider and community outcomes I discussed, they have found some positive outcomes from their evaluation that I have listed on slide 18. For example, they observed an increase in annual revenues of the providers of \$3,693; an increase of the median number of children they are serving in their business from six to eight. Forty-eight percent of the participants improved their financial record keeping after taking the class. I mentioned before, participants see themselves as entrepreneurs as opposed to babysitters. They've improved their communications with parents. They've connected to new resources, such as networking groups, local child care organizations, and cooperatives. They have decided to seek further education in early childhood care and education, personal and professional development, and business. An additional 78 individuals opened or planned to open family child care businesses after enrolling in this program.

So like I said, this gives you a sense of what kind of outcomes are happening and this is really just from a course, so this isn't a full microenterprise development program that I'm aware of, that included the micro-loans or other features of one-on-one consulting, I believe this was just from the class. So a lot of these programs are doing additional support in addition to teaching a curriculum.

On slide 19, I have just listed a few of the directories for microenterprise programs that already exist around the country. The Aspen Institute and Association for Enterprise Opportunity both have online directories of local programs and state microenterprise associations so you can tap into those in your area. [www.fieldus.org and www.microenterpriseworks.org]

I think we'll take a break and see if there are any questions before I move on to the second tool of micro-loans. In the meanwhile, while we're waiting, we had a question in the room here about the price of the curriculum I was just talking about. That is actually listed on one of the sample draft tip sheets that I sent out and it's the first one listed under "Child Care Business Curricula." Each participant guide costs \$40 to order and the facilitator guide costs \$15. I'm not sure if there are any group deals if you order in bulk or not, but I'm sure you could talk to Dorothy Browning, who is my contact; I've got her information listed on the tip



sheet. She is the national curriculum manager and she is very excited about this work that's going on.

Are there any other questions right now?

Operator

At this time there are no questions on the audio portion.

R. Banov

Okay, so you guys know what I'm talking about – that's a good sign! I'll move on then to micro-loans.

These are small loans very typically under \$25,000, but the size pretty much varies. They are made to entrepreneurs who typically can't access traditional forms of commercial financing for their businesses; maybe they've been turned down by banks and other lenders. The reason for this is because banks in the U.S. find it difficult to make profitable microenterprise loans. Loans under \$35,000 really just have too high transactions costs and it's harder for lenders to be compliant with federal and state regulations.

So, special micro-loans are launched for people of lower income and they include different loan features, like collateral requirements, size and term, and they are more tailored to the needs of low-income, higher-risk entrepreneurs.

In addition, since a lot of them are offered by these social service agencies or microenterprise development programs, you're not going to just get a loan approved, you're going to have support services before, during, and after to be sure that you can apply for the loan, have everything in order, get your credit and debt in order, and then follow up to be sure that you're not going to go delinquent on that loan.

Some of the other assistance that micro-loan programs provide are the access to loans; credit and debt counseling and repair; related business training, like I discussed before; and technical assistance, such as with a business plan. I found numerous organizations around the country that have designed special micro-loan programs specifically for child care businesses, keeping in mind this population and their needs, so they have customized the interest rates and other features, and of course the business training that goes along with it, so it's just for child care.

Several of them that I talked to said the reason they chose this industry specifically, of child care, is because they felt good that they were making a community contribution, as



well as just helping out the borrower. They knew if they helped a retailer or a restaurant that it was more helping the individual as opposed to the whole community at large.

So for example, the two sample micro-loan programs I'm featuring here on slides 23 and 24 have done exactly what I said – they launched child care-specific micro-loan programs. The first one is the Women's Business Development Center's Child Care Business Initiative. [www.wbdc.org]. They are located in Chicago, Illinois, and since 1999 they have had this initiative to help new and established businesses create jobs throughout Chicago. They provide workshops and loan packaging assistance and business counseling. I have talked to them there; they also do an annual expo each year that has a child care-specific vendor exhibitor hall, so they invite staff from the city and county offices and have companies just from the child care industry, and other tools.

I just have some features listed about their loans. The uses of their funds are for child care equipment, furnishings, improvements in construction, working capital and start-up costs, and the range of their loans are from micro-micro-loans of \$500 to \$25,000. The term is up to three years; it's a fixed 10% interest rate. Anybody who is starting or an existing home-based or center-based child care in the state of Illinois is eligible, and they have other considerations for equity, collateral and guarantees that are listed on the slide as well.

Similarly, the Lenders for Community Development Program in San Jose, California, also has an individual development account program, but here I'm featuring their Building Blocks Child Care Loan Program. [www.l4cd.com] They have similar uses of their funds – to upgrade or replace toys, furniture, other equipment; remodel, repair, or make improvements to facilities; increase the license capacity through additions; increase safety measures; get your facility accredited; and cover costs of starting a new child care business.

Their loans range from \$1,000 to \$100,000; they have a lower interest rate, fixed at 5%, and there is up to a ten-year repayment period. This is accessible for people having family child care centers in Santa Clara and San Mateo counties in California. This is one program, like I said, where they had explained that they really thought that the buy-in for the community was the best way to go by choosing this industry to focus their loan program on.

Just as I had with microenterprise, here are two different ways to look up different micro-loan programs. While these micro-loan opportunities are scattered all over the country in different social service organizations, two main sources would be the Small Business



Administration list of intermediary micro-loan lenders and the Community Development Financial Institutions Fund awardees, which is through the U.S. Department of Treasury. [www.sba.gov/financing/sbaloan/microloans.html] and [www.cdfifund.gov/loan.asp]

The third tool I want to discuss is individual development accounts. Does anybody have any questions right now, before I move into the third tool?

Operator We do have a question from Pam Mitchell.

P. Mitchell First of all, we were one of the pilot sites for the Kauffman curriculum and I just want to say it was an incredible experience; it's a wonderful curriculum. But, I wanted to ask, you mentioned that there were about 10 million microenterprises nationally and I just wondered if anyone has a feel for how many of them are child care providers?

R. Banov I haven't seen a number about that yet, and that number I got was from the Association for Enterprise Opportunity's website. I don't know if there's anybody else on the call that has a feel for that; they're welcome to queue up and tell us that information or I can look into that. But from what I'm sensing, just from the three months I've been doing work on this, there are a lot of programs out there, and so there are a lot of clients out there as well, a lot of people doing this work.

I will see if I noted anywhere. I will look for that number, but thank you for your question. I'm glad you found that curriculum helpful.

Operator Your next question comes from Susan Vessels.

S. Vessels Yes, I was wondering if you could repeat what the interest rates were on the two micro-loans that you talked about?

R. Banov Sure. The first one was about 5% and the second one was at 10%. These were just two I pretty much picked at random out of the ones I've come across, so I would think for all of these it varies – their rules, their interest rate, their terms. I think it's really a program-by-program decision, but I thought these would be two good models to look at.



S. Vessels Thank you.

R. Banov Yes. Any other questions at this time?

Operator We do have a question from Kathy Torrey.

K. Torrey Hello. I was interested in two things. One, whether you had found that it's worth people becoming non-profits in order to look for grants; and two, I was wondering if there was any service to help day care providers with insurance issues.

R. Banov On one of the tip sheets I sent out, the second one, that was meant for providers, it refers to the Redleaf National Institute in Minnesota. [www.redleafinstitute.org] I believe they had some insurance information on their website. Then, I'd be happy to e-mail you, another tip sheet about local and online business resources, both child care-specific and general business-specific, and some of those include other resources, including towards insurance.

Anybody else?

S. Rudisill I just want to reiterate, I'll say it again at the end, we are so delighted to have a broader audience than anticipated. Also, within a couple of months, we will put a lot of this on NCCIC, our National Child Care Information Center's website at <http://nccic.org/>. It's not there yet because Rachel has been working at a furious pace over three months and she has produced a lot of things that are now being finally edited to put them on.

But if you send your e-mail to Rachel, she will be sure to pass that along so that you can get an e-mail saying when all these materials are final and available on the Web. So I just wanted to reiterate that.

K. Torrey Yes, thanks.

S. Rudisill And we can look up the answers to some of the questions.

C. Overbaugh Rachel, I just wondered, on the two examples that you gave of the micro-loan programs, if you had any sense of how many loans are given and how folks in those communities learn about the availability of these loans.

R. Banov I don't have the numbers with me. I do know that a lot of these organizations, like I said, have done their own evaluations or mini report-outs on the programs they run. We can talk afterwards and I can see if I have one from Lenders for Community Development or Chicago Child Care Business Initiative. But I know a lot of them are keeping track of how many accounts they open, the loans, the terms, the investment, also the rate of return on how much money they put into the program and how much money they're getting back. I don't specifically have that off the top of my head.

As far as outreach to people in the community, I know I've seen several brochures. I have a couple actually that I put on the table out here from a micro-loan program and from an IDA program that was created specifically for child care that I'll go into in the next section. So I guess they use just the normal outreach probably as the rest of their services. I would imagine a lot of referrals to internal clients that come in for one support service and then get connected to another one, like they came in for the Business Development Center and they said, "Hey, why don't you open an individual development account?" or "Maybe you're eligible for a micro-loan at the same time."

Then a lot of people at the local level are starting to collaborate, so a lot of microenterprise organizations that I've talked to are collaborating with resource and referral agencies or other child care organizations, so they are already forming those connections and part of this project was to raise that awareness so that hopefully people continue to make those connections at the local level.

S. Christian Do traditional banks sometimes refer to the micro-loans?

R. Banov I would hope so. I don't know per se. A lot of banks are really interested in this as well, which I'll get into the next section about individual development accounts. I'll just jump ahead and say one of the most important partners, or the most important partner is the



financial institution for an individual development account program – it can't work otherwise.

So a lot of national, local, and regional banks are realizing the buy-in and the need to not only do good community work because it's a good thing to do [and to fulfill requirements of the Community Reinvestment Act], but also because they are able to get new customers out of it. If you have somebody get a micro-loan or you have somebody open an individual development account with you and they trust you and you work with them and you've provided them incentives such as lower interest rates or no fees, then they are likely going to trust you – so, they are going to come back to you time and time again for a mortgage or another loan and keep their money in your accounts for longer so that you can get interest from them.

So I would say a lot of even mainstream financial institutions, not just the low-income ones, are working in this area. I just talked to a guy the other day in Philadelphia who is very excited about this work and seems very dedicated and said he was going to send this out to his entire bank chain once all of the tip sheets are out there so that he can start getting people to consider this type of collaboration at their local level, in addition to his Philadelphia branch.

I'll continue now with individual development accounts and we'll take some more questions in a few minutes. These are special savings accounts in which low-income individuals save their earned income on a regular basis. They are usually not allowed to make withdrawals before reaching their savings goals, except for approved emergencies by the program. They receive a match rate. This match rate varies from \$1 to \$1 up to about \$8 to \$1; that's the federal limit. If a program doesn't receive federal funding from the Assets for Independence program they have more leeway. The average match rate in the field, however, is about \$2 to \$1, or sometimes \$3 to \$1. This match rate is usually determined by the program, like I said, just within state or federal regulations if they are receiving funding. But they really consider the local needs of the community, the target population, the cost of housing, for example, the market rates, just to see what match rate is realistic for a saver to get and actually be able to make an asset purchase.



Then at the end of the program, they take their savings and their match money from the program and they purchase a long-term asset. The three most common asset goals are to start or expand a small business, to purchase a home, or pursue a post-secondary education or training. Those are the only three allowable goals by the federal Assets for Independence program, which I used to work for, which is why I'm making that connection, because they are the biggest funder of IDA programs around the country. So many people that are doing work in this area have a grant for them and so that's why I'm mentioning these rules, since programs usually have to comply with those.

Other programs, however, that receive other funding or dedicate some of their accounts to other asset goals and don't use the federal funding for those, can use them for other goals, such as home repair or cars or durable household goods, such as a washer or dryer, if they feel that's in their client's best interest.

Eligibility also varies by program. Typically, it is based on four things: income, earnings, net worth, and credit history. The income is very much determined by federal poverty guidelines or the area median income, which varies year to year.

Earnings, pretty much it has to be earned income – that could be federal benefits, if people are receiving TANF for example, but not a gift, and it can be household income, so even if one person is not working and the other is, as long as they can prove that the money they are putting in their deposits is from earned income, that's okay.

Net worth, for the federal guideline you can't have more than \$10,000 in assets and one car, so we're really talking about the low-income and the very asset poor for IDA eligibility.

And credit history, naturally a lot of debt or credit history would hinder IDA eligibility just because it would be less feasible for you to have extra money to put into your IDA during the program, and if you're in debt, you probably should be paying off your debt, a lot of programs feel, instead of saving for the long term at that point because its not going to help you in the long run to accrue more interest on that debt. However, a program, like I said, might provide debt counseling or repair as a support service and help somebody get on track so they could participate in an IDA program.



On slide 30, I have a sample IDA participant because I think it's kind of a complicated concept how these accounts work. So Susie wants to start a child care business. She needs \$5,000 of capital in order to start her business. She has found an IDA program that offers her a very generous match rate of \$4 to \$1, so that means she saves \$1,000. She made a savings agreement with her program, which is pretty typical, just to outline realistic expectations of what somebody would deposit per month over a certain amount of time so they know their savings goals and the maximum limits that might be restricted by the program.

She saves \$42 a month over two years, and if you turn to the next slide, after that she has leveraged her \$1,000 savings of earned income and she has gotten the \$4,000 match and now she has \$5,000 total. Like I said, this is a generous match rate, but you can see how this really can help her \$1,000 go much farther. One-thousand dollars probably wouldn't have taken Susie very far, but now we can see that all of a sudden \$5,000 does seem much more feasible in order to get something accomplished for her business. And she can feel good about the fact that she has gained financial literacy skills and benefited from other support services that I have listed on slide 32, and she has done this on her own by leveraging her own earned income.

The typical features of an IDA program are the participant savings agreement; financial education, such as budgeting, savings, banking, credit cards. The reason why this is so important is it's shocking how many people in this country have actually never opened up any bank account whatsoever, so a lot of these classes have really started the basics of how do you open an account, how do you save, how can I use coupons to save money at the grocery store, a lot of things that people just haven't been exposed to before. So the financial education is really one of the key pieces of all of these programs, but especially the individual development account program.

A lot of programs also offer asset-specific training related to the goal. So for example, if somebody is saving for a home they are going to be connected to home ownership training, how to get a mortgage, home repair issues, that kind of thing. I've already mentioned the credit counseling and repair; and another feature would be help in



accessing tax credits, such as the Earned Income Tax Credit [EITC],¹ the Child Tax Credit,² and the Child Care Tax Credit³; and free tax completion help to have help in filling out your tax forms, perhaps through the Internal Revenue Service's VITA program,⁴ which helps low-income people do free tax forms.

Just to give some context, it's still at a pretty low level, but there are about 500 IDA programs, I would estimate, around the country. Around 250 to 300 organizations are the Assets for Independence grantees and the number of accounts that have probably been opened in the country so far would be about 50,000. This concept was created in the 1990s by Michael Sherraden at Washington University [<http://gwbweb.wustl.edu/csd>] and has pretty much skyrocketed since then, even though it's not very publicly known because it's not part of any larger census or radar yet, but it has been picked up in the news and by the programs that are doing it.

Slide 33 talks about a specific child care IDA program that's in Long Island, the Community Development Corporation of Long Island. [www.cdcli.org] I must say, I have never seen one this specific, because as you can imagine, it's very labor-intensive to have an individual development account program period, and to offer one specifically for only one target audience is even more specific and intensive. But that's what they've done, they saw a need in their community and they created one. Their savings amount is up to \$1,000 and their match rate is \$1 to \$1, so then their match amount would also be up to \$1,000. So if you save \$1,000, you could end up with \$2,000. They allow their clients to enhance the quality of their facility with their savings and IDA match.

Like I was talking about the financial institution's importance, their accounts don't have a required minimum opening balance or minimum monthly balance or monthly fees. So they have worked with their financial institution closely, I imagine, to be able to arrange for these incentives.

¹ The EITC is a refundable federal income tax credit for low-income working individuals and families. Go to: <http://www.irs.gov/individuals/article/0,,id=96406,00.html>

² Child Tax Credit Information: <http://www.irs.gov/publications/p972/ar02.html#d0e188>

³ Child Care Tax Credit Information: <http://www.irs.gov/taxtopics/tc602.html>

⁴ The Volunteer Income Tax Assistance Program (VITA) Program offers free tax help to low- to moderate-income (\$37,000 and below) people who cannot prepare their own tax returns. Volunteers sponsored by various organizations receive training to help prepare basic tax returns in communities across the country. VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping malls, and other convenient locations. Most locations also offer free electronic filing. To locate the nearest VITA site, call 1-800-829-1040.



On slide 34, I have the two listed main IDA program directories, if you want to find a local program in your community. The Federal Assets for Independence Program has a Project Locator of all their grantees listed on their website.

[www.acf.hhs.gov/assetbuilding/states.html] Next, CFED – which was formally known as the Corporation for Enterprise Development, they just go by CFED now – has an IDA program directory and they do a survey every year of all the IDA programs in the country.

[www.cfed.org/focus.m?parentid=31&siteid=374&id=599] So not only can you look up the location, but you can look up funding sources, asset goals, target populations, geographic area served, and all sorts of other information about each program they have in their directory.

Before I go into the project resources, I think this would be a good time to stop and take any more questions.

S. Rudisill

Rachel, I have a question while we wait for people to dial in. So the two tools that you most recently described – micro-loans and IDA – have a lot of things in common because they came out of the same community development kind of spirit and they sit in those organizations. But the way I understand it, they are a little bit different because micro-loan you really do expect to get the money back, and from people that I've talked to who do it, they typically do get the money back, they have a pretty low default rate, whereas the IDA program, which is matched savings, is almost more like a grant program, that it came out of a philosophy of the fact that we were making people stay so poor that they could never weather a crisis, so you have this cycle of dependence, so it's more like free money, like you would get almost out of Welfare, but the reason you're getting the free money is that because you've had this financial training, we have more of a sense that you're going to be able to weather the next crisis, you're earning income, you're proving you're earning income, so they are different in that way. One's a payback? Like a grant?

R. Banov

Yes, I think that's a really good description. People do sometimes think “what's the catch?” about the individual development accounts for that reason, that it is basically free money. Yes, you are doing a lot of work, you might be in a program for one to three to five years, who knows; you might be saving really slowly, \$10 a month, but at the end, yes, you



get free money, and this is due to the generous support of donors and foundations and the government and other people who have put funding into the program.

It is also based on successful completion of whatever requirements the program has set up as far as financial literacy or meeting savings goals; there are strict rules about not missing a certain number of deposits, for example, but basically if you jump through all the hoops it's free money, so that's a yes.

S. Rudisill So it's free money for housing, education, and starting a business?

R. Banov Yes, for the three allowable asset goals.

S. Rudisill So all these goals are things that are supposed to lead you towards financial stability.

R. Banov And that is an important note, because at the end of the program you don't just get cut a check and get to go run away to Bermuda with the money, it's pretty much cut specifically to the vendor. So if you were taking a class at the community college, your IDA program would cut the check directly to the tuition department; if you were buying a house, it would be cut to the mortgage broker, for example. And if it was small business, even if it's tons of small expenses, like a computer or rent or something for capital, it would be cut for different checks that way. So it's really a pretty rule-intensive, "safe" program as far as people can't abuse the free money that they're getting, they have to use it for these very specific goals.

S. Potter Could a person participate in an IDA program more than one time?

R. Banov That's a good question, Sarah. That would depend on if it is federal money being used as match – federal restrictions rule that you can only give a maximum of \$2,000 per individual and \$4,000 per household in match money per federal grant and grants are for five years. So if you are enrolled in a program that is an Assets for Independence grantee, you could only enroll one time in that grant. Though, technically, if you haven't received more than your \$2,000 in match money, regardless of how much you save, then yes, you could join



again or you could enroll in another grant or maybe if it was not a federal grantee it might not matter. So if you've joined maybe for a year and only taken \$1,000 in match, you could maybe join again at another time. We haven't heard cases of people running around to multiple programs and abusing the system, but technically since the accounting is done under each IDA program separately, that may be possible.

Any other questions on the phone at this point?

Operator Yes, your next question comes from Louise Stoney.

L. Stoney Hello. A number of groups have been discouraged about offering loan programs because providers haven't participated, so I wondered if you learned anything about what makes them effective. Are there particular things that would make providers more willing to participate or particular strategies that are more effective or things that we can learn from evaluations of these programs?

R. Banov I haven't specifically per se. I have one tip sheet I'm working on, which is general effective practices, and that would be a good addition to that. I mentioned the Arkansas program earlier, and I think they did use to have a micro-loan program and maybe they weren't getting enough participation in general, it wasn't a child care-specific one and so they decided that that was something better suited to be handled by other organizations in their community.

As far as incentives, I'm not sure, I think it would just be like any other program, would be to do a needs assessment and really see the feasibility in your community to see if there is a need for this and maybe do a survey of child care providers to see if there is an interest in this. I'm not sure if it's skepticism of traditional banks and lending and not feeling like this is going to be worthwhile for them. I know a lot of people who work with refugees, for example, have encountered that; there's often a general mistrust of the banking system. Some people have produced some documents to help programs counter that or to help deal with that fact. For example I believe Muslims don't believe in accruing interest, they just don't believe in earning interest at all on an account, so to structure an IDA account to be

culturally sensitive to that need would be important so that they're not accruing interest and they don't feel that's violating their beliefs.⁵

So I think that would be my answer, but I would talk to some programs I've talked to and get back to you if you want.

L. Stoney I think it would be helpful information.

R. Banov Okay, thank you for that question.

Operator Your next question comes from Sohyla Fathi.

S. Fathi Thank you so much. Here in San Francisco we are watching the mayor's office regarding market enterprise and my specific question is have you ever done any research for retirement and for asset building?

R. Banov I personally have not. Well, retirement plans are a separate type of asset building. Are you talking about using an individual development account to save for retirement as the asset goal, or are you just talking about retirement planning in general?

S. Fathi In general.

R. Banov I personally have not, though you are right to see the connection. A lot of people do save for both goals. IDAs are for more immediate, "short, long-term goals" is what I think you would call these, as opposed to retirement, where your funds would be locked up for a long period of time. As you realize, both are important asset goals to be saving for. I'm not as familiar with that area, I must admit.

S. Fathi Okay, thank you.

Operator At this time there are no further questions.

⁵ Islamic Financing, Vikki Frank: www.ised.org/research&evaluation/documents/Islamic_Financing_and_IDA.pdf

R. Banov

All right, thank you. So we'll just wrap up by talking about the resources that I have been creating. As we said, they are in the editing and formatting phase and will hopefully be ready for distribution a little later in 2006, maybe February at this point.

One set of materials I have been working on is three tip sheets, and I sent one of them around with the materials for this call – the curricula one. These tip sheets are intended for organizations and program administrators that work with child care providers to give technical assistance and training in this area.

One tip sheet helps organizations have resources they can connect their providers to; to know about federal grant opportunities to fund one of these programs if they are interested in finding micro-loan, microenterprise development, or IDA funding sources; and then have lists of relevant publications and non-profit organizations that do work in this area.

Then there is another tip sheet that I mentioned, about effective practices, which I'm working on, which is more hands-on little tidbits from programs I have talked to, such as bringing a laptop to help the child care provider on site when you do a technical assistance visit to help them do a marketing flier. You know, simple things on up to general tips about what they find effective and examples, such as that child care expo conference, I mentioned in Chicago.

And then the curricula tip sheet I sent around has general and child care-specific business curricula resources to help programs know what curricula they could buy.

So we hope that programs, whether they are child care or microenterprise, would use these to enhance the work they're already doing, to find local collaborations, and that CCDF administrators and regional offices can pass on this information as well.

The second series of materials I was working on was specifically for child care providers and these will also be posted in the same place online. These three tip sheets are about local and online general business and child care business resources, as well as a one-pager on individual development accounts, explaining what it is, similar to the information I gave in the presentation. And the third has micro-loan information; it's about a two or three-page document talking about resources. There are some online micro-lenders I've discovered, for low-income or women in particular, as well as how to tap into these existing



organizations to find loan. I have those drafts with me here today, but we'll be sending those out once they are formally vetted.

That's it for the tip sheets. Then the other big project I have been working on is a local program directory of all these programs I've been talking to. As you saw through the presentation, there are existing IDA program directories and there are existing microenterprise program directories, so certainly those are great resources and I would recommend everybody start tapping into those and see what's in your local community or state to both form collaborations or refer your clients.

But in addition, I've been working on a directory that has about 100-150 programs I've found that provide all of these resources specifically for child care providers – whether they have a specific grant program, a micro-loan program, an IDA program, or microenterprise development assistance for child care providers, in its name or in its program or in its department, or they've just had a large enough population of providers in their clientele that they have a special experience with this population and are certainly eager and willing to do more work with that population. So hopefully that will benefit both providers and the programs I talked about. That directory is still in progress, but will be posted I'm sure in the same place later in 2006.

For the Child Care Bureau's next steps, as Shannon mentioned, I'm really only on this project for the next couple of days, so feel free to contact me with any questions. Like I said, just stay tuned for the tip sheets and directory and we'll be doing some e-mail blasts to the same listservs and newsletters to get this information out once it's done.

Then, as I've mentioned, we would hope that your take-home next steps would be to start distributing these tip sheets, once they are ready, to the providers that you work with; to start reviewing the program tip sheets and effective practices and see if any of these ideas would be applicable to the work you do; encouraging the states you work with to partner with existing programs, both those on the tip sheets and the upcoming directory; and inviting microenterprise organization staff to be speakers at your regional conferences or other workshops or seminars to start educating people in your area about these useful tools that already exist and we just want people to know about them.

The other thing is I've only gone over three tools today. There certainly are other community development resources that exist in every community. Like I mentioned the free



tax counseling; the earned income tax credit; you could help connect your clients to health insurance or transportation needs; or business incubators are another community development tool that are catching on, where organizations provide space and supplies and equipment and open it up to entrepreneurs to come in and use that technology they might not be able to afford or have in their home. So there are certainly other ways to help, I just featured these three main ones that we thought tied into this population, so keep those others in mind as you do your work as well.

So thank you for your attention! We'll have more questions if there are any.

Operator You do have a question from Jacqueline DeGuzman.

J. DeGuzman Hello. I was wondering if you were going to add any information on developing their contracts and policies on your tip sheets for your child care providers?

R. Banov I haven't gone into a lot of specific details in my tip sheets, they have been more resource sheets. So instead of reinventing the wheel and me writing my own manual, it seemed like there was already a lot of great publications and resources out there. So I would just recommend looking over some of the resources I have on the tip sheet of online and local business resources, and see if that topic is covered in any of those publications or tip sheets or online clearinghouses I've referred you to.

J. DeGuzman Okay, thank you.

R. Banov Thanks a lot. Glad you could join in.

Operator At this time there are no further questions.

R. Banov Okay, great. Thank you!



S. Rudisill

I just want to thank Rachel for doing this project for the Child Care Bureau. As I said, we really benefited from the expertise that she brought in terms of microenterprise and then she was excited about the opportunity to look at one particular target audience – child care providers and child care businesses – and in quite a short time she has talked to many people throughout the country who are doing this work.

Here at the Child Care Bureau, we see so much potential here for focusing on our providers in terms of both their business and their personal development and one thing that we want to work on in using Rachel's materials is how we really get the word out, because it would be such a missed opportunity if there is a large microenterprise project going on in a community and we had not connected the child care providers with that microenterprise opportunity. It seems so complementary to so many of the projects that are working around the country. For instance, with these IDA programs, I see a direct connection with states that have been working with TEACH or other kinds of providers, scholarship and compensation programs. This is just one more set of resources that you could throw into that professional development pot.

So at the Child Care Bureau, we will be working with our technical assistance providers and with our regional offices to talk with them about how we can raise awareness overall. We may be more careful about including this in our conference agendas coming up. As you all know, we have a strong partnership with NACCRRA and so we will be working with them about how to be sure these materials get out to R&R agencies, who may really be sometimes the best people to be a referral point for providers to these programs.

But this seems like a potentially huge area of untapped potential. I think we don't know how big it is, but we want to be sure that we're looking under every rock for resources and programs that could potentially benefit providers and kids.

We are very happy that so many of you were able to join us. We think there were probably close to about 60 lines at least, and we really appreciate your interest in this topic and your commitment to child care providers. We look forward to more opportunities in the future to host calls like this one. Thank you to everybody!